

11490
RECORDATION NO. Filed 1425
FEB 12 1980 -2 10 PM
INTERSTATE COMMERCE COMMISSION

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INTERSTATE COMMERCE COMMISSION

United States
Rail Services, Inc.



633 Battery Street
San Francisco, California 94111
(415) 445-7690

January 28, 1980

REGISTERED MAIL
RETURN RECEIPT REQUESTED

11490
RECORDATION NO. Filed 1425

D-043A034

Secretary
Interstate Commerce Commission
Washington D. C. 20423

FEB 12 1980 -2 10 PM

Date FEB 12 1980

Fee \$ 100.00

Dear Mr. Secretary:

ICS Washington, D. C.

On behalf of United States Rail Services, Inc. I submit for filing and recording under 49 U.S.C. Sec. 11303(a) the following enclosed executed documents:

(1) Lease Agreement between U.S. Leasing International, Inc. ("USLI") and Point Comfort and Northern Railway Co. ("Point Comfot") dated as of August 14, 1979; Equipment Schedule No. 1 dated as of August 14, 1979; Addendum to Lease Agreement dated as of August 14, 1979; Letter Agreement pertaining to Lease Agreement dated as of August 14, 1979, all of which are duly notarized.

(2) Assignment of October 15, 1979 from USLI to United States Rail Services, Inc. of Lease Agreement between USLI and Point Comfort duly notarized.

(3) Equipment Schedule No. 2 dated October 19, 1979 to Lease Agreement between USLI and Point Comfort dated as of August 14, 1979 and Consent of USLI and Rockdale, Sandow and Southern Railroad Company, all duly notarized.

I also enclose 3 certified true copies of the above documents.

The equipment covered is as follows:

Equipment Schedule No. 1: 150 covered hopper cars, 4750 cubic foot, PCN-1001 through PCN 1150.

Equipment Schedule No. 1: 25 open top hopper cars, 4700 cubic foot. PCN 2001 through PCN 2025.

Enclosed is a check in the amount of \$100.00 in payment of the recording fee.

Secretary
January 28, 1980
Page two

Once the filing has been made, please return in the enclosed self-addressed stamped envelope, (a) the file stamped conformed counterparts not required for filing purposes, (b) the fee receipt, (c) the letter from the Interstate Commerce Commission acknowledging the filing, and (d) the extra copy of this letter of transmittal.

Should you have any questions please call me at (415) 445-7685.

Very truly yours,


Gerald A. Davis

GAD:lw
Encls

Interstate Commerce Commission
Washington, D.C. 20423

2/21/80

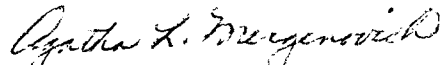
OFFICE OF THE SECRETARY

Gerald A. Davis
U.S.Rail Services, Inc.
633 Battery Street
San Francisco, California 94111

Dear Sir:

The enclosed document (s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 2/12/80 at 2:10pm , and assigned re-recording number (s). 11490, 11490-A, 11490-B

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)



UNITED STATES LEASING INTERNATIONAL, INC.

633 Battery Street San Francisco, California 94111 415/445-7400

RECORDATION NO. 11490 Filed 1425

FEB 12 1980 -2 10 PM

LEASE AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS LEASE AGREEMENT, made as of this 14th day of August, 1979, between U. S. Leasing International, Inc. ("USLI"), a California Corporation, as lessor, and Point Comfort and Northern Railway Co. ("Lessee"), as lessee.

1. Scope of Agreement

A. USLI agrees to lease to Lessee, and Lessee agrees to lease from USLI, freight cars (collectively called the "Cars") as set forth in any lease schedules ("Schedules") executed by the parties concurrently or hereafter.

B. It is the intent of the parties to this Agreement that USLI shall at all times be and remain the lessor of all Cars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. Unless sooner terminated as herein provided, the term (the "Initial Lease Term") of lease with respect to all of the Cars described on each Schedule shall commence on the delivery of the first Car and shall terminate eighteen (18) years after the date when all Cars on such Schedule have been delivered as set forth in Section 3A hereof.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for not more than five consecutive periods of twelve months each (the "Extended Lease Term") with respect to all of the Cars then remaining on each Schedule, provided, however, that USLI or Lessee may terminate this Agreement effective as of the last day of the Initial Lease Term or any Extended Lease Term as to all, but not fewer than all, of the Cars on any such Schedule by written notice delivered to the other not less than twelve months prior to the end of the Initial Lease Term or any Extended Lease Term.

C. "Term" shall mean the Initial Lease Term and/or any Extended Lease Term.

3. Supply Provisions

A. USLI will arrange for the purchase of cars conforming to specifications set forth in the Schedule and to all applicable governmental regulatory specifications. USLI will inspect each of the cars tendered by the manufacturer for delivery to Lessee.

Prior to such inspection, however, Lessee shall confirm in writing to USLI that the sample Car, which will be made available at manufacturer's plant for Lessee's inspection prior to the commencement of deliveries, conforms to the specifications of the equipment agreed to by Lessee. Upon such approval by Lessee and USLI's determination that the Car conforms to the specifications order by USLI and to all applicable governmental/regulatory specifications, and this Agreement has not been terminated, USLI will accept delivery thereof at the manufacturer's facility and each car shall be deemed delivered to Lessee upon acceptance by USLI. Each of the Cars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance of delivery by USLI as is consistent with mutual convenience and economy. Due to the nature of railroad operations in the United States, USLI can neither control nor determine when the Cars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of the Cars leased hereunder, Lessee agrees to pay to USLI the rent set forth in this Agreement. To move the Cars to Lessee's railroad line and insure optimal use of the Cars after the first loading of freight for each Car on the railroad line of Lessee (the "Initial Loading"), USLI agrees to assist Lessee in monitoring Car movements and, when deemed necessary by Lessee and USLI, to issue movement orders with respect to such Cars to other railroad lines in accordance with ICC and AAR interchange agreements and rules.

B. Lessee shall give at least equal preference to USLI in loading Cars leased from USLI when loading such Cars and similar freight cars leased from other parties or purchased by Lessee on or before the date of this Agreement, but all these cars shall be given preference in loading over similar freight cars interchanged with railroads; provided, however, if at any time five (5) per cent of the Cars are on Lessee's tracks then Lessee shall give preference to the Cars.

Lessee shall give preference to USLI and shall load the Cars leased from USLI prior to loading substantially similar freight cars leased from other parties or purchased by Lessee subsequent to the date of this Agreement or interchanged with railroads; provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

C. Additional Cars may be leased from USLI by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Cars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by USLI and Lessee. Notwithstanding the execution of any Schedules including Schedules for additional Cars, the delivery of any Car to Lessee shall be subject to (i) manufacturer's delivery schedules, (ii) financing satisfactory to USLI and (iii) the mutual acknowledgment of the parties that the addition of such Cars is not likely to reduce utilization of all Cars on lease to Lessee to less than 93 per cent in any calendar quarter. If, due to the factors listed in the preceding sentence, fewer than all of the Cars listed on a Schedule shall be delivered to Lessee, the Term shall be deemed to have commenced on the date the final Car of the most recent group of Cars was delivered to Lessee.

D. In the event during the Term, any Car becomes no longer available to Lessee for its intended use, then any such Car shall be deleted from the Schedule.

E. Lessee agrees to give USLI reasonable notice of its intention to acquire additional cars so that USLI may make proposals to Lessee for the supply thereof.

4. Railroad Markings and Record Keeping

A. USLI and Lessee agree that on or before delivery of any Cars to Lessee, said Cars will be painted in the colors designated by Lessee and lettered with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. Such name and/or insignia shall comply with all applicable regulations.

B. At no cost to Lessee, USLI shall if requested by Lessee, during the term of this Agreement prepare for Lessee's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Cars. Such documents shall include but are not limited to the following: (i) appropriate AAR documents including an application for relief from AAR Car Service Rules 1 and 2 if requested by Lessee; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Railway Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies.

C. USLI shall, on behalf of Lessee, perform all record keeping functions related to the use of the Cars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation. Correspondence from railroads using such Cars shall be addressed to Lessee at such address as USLI shall select.

D. All record keeping performed by USLI hereunder and all record of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by USLI in a form suitable for reasonable inspection by Lessee from time to time during regular USLI business hours and upon reasonable notice. Lessee shall supply USLI with reports regarding the use of the Cars by Lessee on its railroad line as USLI may reasonably request.

E. Upon 90 days prior written request from Lessee, USLI agrees to perform the record keeping function described in Sections 4B, 4C and 4D for other items of freight equipment used in interchange service ("Other Equipment") and operated and controlled by Lessee. USLI also agrees to perform such record keeping functions for items of freight equipment acquired subsequent to the date of this Agreement by Lessee, provided that USLI shall have received 90 days written notice of Lessee's intention to acquire such additional equipment. Record keeping services provided under this Section 4E shall be at an annual fee of \$25 per item of Other Equipment, payable quarterly in arrears. Such fee shall be adjusted in direct proportion to changes in the AAR labor billing rate published subsequent to the date of this Agreement.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, USLI will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Cars during its Term (including but not limited to repairs, maintenance and servicing) unless the same was occasioned by the fault of Lessee. Lessee shall inspect all Cars interchanged to it to insure that such Cars are in good working order and condition and shall be liable to USLI for any repairs required for damage not noted at the time of interchange. Lessee hereby transfers and assigns to USLI for and during the Term of each Car all of its right, title and interest in any warranty in respect to the Cars. All claims or actions on any warranty so assigned shall be made and prosecuted by USLI at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be payable solely to USLI and shall be used by USLI to repair or replace the Car.

B. Except as provided above, USLI shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required. Upon request of USLI, Lessee shall perform any necessary maintenance and repairs to Cars on Lessee's railroad tracks as may be reasonably requested by USLI. USLI shall also make, at its expense, all alterations, modifications or replacement of parts as shall be necessary to maintain the Cars in good operating condition throughout the Term. Lessee may make running repairs to facilitate continued immediate use of a Car, but shall not otherwise make any repairs, alterations improvements or additions to the Cars without USLI's prior written consent. If Lessee makes an alteration, improvement or addition to any Car without USLI's prior written consent, Lessee shall be liable to USLI for any revenues lost due to such alteration, and the costs incurred by USLI in restoring the Car to its original condition, if restoration is performed. Title to any such alteration, improvement or addition shall be and remain with USLI.

C. Lessee will at all times while this Agreement is in effect be responsible for the Cars while on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the American Association of Railroads ("AAR") Code of Car Service Rules - Freight and Code of Car Hire Rules and Interpretations - Freight for freight cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Cars while on Lessee's railroad tracks by obtaining insurance or maintaining a self-insurance program satisfactory to USLI. In the event Lessee elects to carry insurance Lessee shall promptly furnish USLI with certificates of insurance evidencing bodily injury and property damage liability insurance signed by an independent insurance broker with 30 day written notice of cancellation to USLI. All insurance shall be taken out in the name of Lessee and USLI (and/or its assignee) as their interests may appear.

D. USLI agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee relating to each Car and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Car

to Lessee or which may be accrued, levied, assessed or imposed during the Term, except taxes on income imposed on Lessee and sales or use taxes imposed on the mileage charges and/or car hire revenues. USLI shall forward to Lessee all sales and use tax payments, received by it on behalf of Lessee. USLI and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars. USLI shall review all applicable ad valorem tax returns upon request for re-imbursement.

6. Lease Rental

A. Lessee agrees to the following rentals for the use of the Cars:

(i) USLI shall receive all payments paid to Lessee by other railroads for their use or handling of the Cars, including but not limited to mileage charges, straight car hire payments and incentive car hire payments (all of which payments made to Lessee are hereinafter collectively referred to as "Payments") so long as such Payments for all of the Cars delivered to Lessee on an aggregate basis for each calendar year shall be equal to or less than the USLI Base Rental. The USLI Base Rental shall be as an amount equal to the Payments which would have been paid to Lessee by other railroad companies if (a) the utilization, as defined below, had been 93 percent and (b) the mileage revenue had been an amount equal to the then applicable charge per line haul mile multiplied by 60, multiplied by the number of days in the applicable year, multiplied by the number of Cars then subject to the Agreement. Utilization of the Cars shall be determined by a fraction, the numerator of which is the aggregate number of days in the applicable calendar year that car hire payments are earned by Lessee on the Cars, commencing from the Initial Loading, and the denominator of which is the aggregate number of days in each calendar year that the Cars are on lease to Lessee, commencing from the Initial Loading.

(ii) In the event Payments exceed the USLI Base Rental, as defined above, in any calendar year, Lessee shall receive 100 per cent of all of the Payments made by other railroads in excess of the USLI Base Rental.

(iii) If USLI pays other railroads to move Cars in accordance with Section 3A, except for any payments incurred to initially deliver such Cars to Lessee's railroad line, Lessee shall reimburse USLI for such payments but only to the extent Lessee receives monies pursuant to subsection 6A (ii).

(iv) The rental charges payable to USLI by Lessee shall be paid from the payments received by Lessee in the following order until USLI receives the amounts due it pursuant to this section:

- (1) incentive car hire payments;
 - (2) straight car hire payments;
 - (3) mileage charges and
 - (4) other.
- However, Lessee shall in no event be required to make payment to USLI of any incentive car hire payments received by it if such payment shall be prohibited by any order of the ICC.

(v) In the event damage beyond repair or destruction of a Car has been reported in accordance with Rule 7 of the AAR Code of Car Hire Rules and Interpretations-Freight and the appropriate amount due in accordance with AAR Interchange Rule 107 as a result thereof is received by USLI, said damaged or destroyed Car will be removed from the coverage of this Agreement as of the date that payment of car hire payments ceased.

B. The calculations required above shall be made within five months after the end of each calendar year. However, to enable USLI to meet its financial commitments, USLI may, prior to such calculations, retain the payments received by it on behalf of Lessee. Further, since the parties desire to determine on a quarterly basis the approximate amount of the rental charges due USLI, USLI shall within four months after the end of each of the first three calendar quarters, calculate on a quarterly year-to-date basis, rather than a yearly basis, the amount due it pursuant to this section. Any amounts payable pursuant to the preceeding sentence shall be paid promptly following such calculation, provided, however, that following the yearly calculation, any amount paid to either party in excess of the amounts required by the yearly calculation shall be promptly refunded to the appropriate party.

C. If at any time during a calendar quarter, the number of days that the Cars have not earned car hire payments is such as to make it mathematically certain that the utilization in such calendar quarter cannot be equal to or greater than 93 per cent, USLI may, at its option and upon not less than 10 days prior written notice to Lessee, terminate this Agreement as to such Cars as USLI shall determine, provided, however, that prior to such termination Lessee may have the option to pay USLI an amount equal to the difference between the amount USLI actually received during said calendar quarter and the amount USLI would have received had a utilization rate for the Cars of 93 per cent been achieved.

D. USLI may, at its option, terminate this Agreement if the ICC or any other governmental agency shall at any time, (1) issue an order reducing incentive car hire for Cars on an annual basis to three months or less without a corresponding increase in straight car hire or other monies available to both USLI and Lessee at least equal in amount to such reduction, (2) determine that Lessee may not apply its incentive car hire receipts in payment of the rental payment of the rental charges set forth in this section. Lessee may, at its option, terminate this Agreement if the ICC shall, at any time, require that Lessee spend funds not earned by the Cars in order for Lessee to continue to meet its obligations set forth in this section.

E. Subsequent to the initial loading, if any Car remains on Lessee's railroad tracks for more than seven (7) consecutive days, USLI may, at its option and upon not less than 24 hours prior written notice, terminate this Agreement as to such Car and withdraw such Car from Lessee's railroad tracks. USLI will exercise this option only if it believes that the Payments for all Cars will be less than the Base Rental for the following 90 days. If any such Car remains on Lessee's railroad tracks more than seven consecutive days because Lessee has

not given preference to the Cars as specified in Section 3B, Lessee shall be liable for and remit to USLI an amount equal to the car hire revenues Lessee would have earned if such Cars were in the physical possession and use of another railroad for the entire period.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent Cars are customarily used in the railroad freight business, provided that Lessee retain on its railroad tracks no more Cars than are necessary to fulfill its immediate requirements to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks. However, Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by USLI, i.e., upon notice to Lessee from any such secured party or owner that an event of default has occurred and is continuing under such financing agreement, such party may require that all rent shall be made directly to such party and/or that the Cars be delivered to such party free of this Agreement. Notwithstanding the foregoing, Lessee shall in no event be required to assume any of USLI's obligations to any secured party under any financing agreement in the event of default thereunder.

B. Lessee agrees that to the extent it has physical possession and can control use of the Cars, the Cars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either USLI or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

C. Lessee will not directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or Schedule thereto. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest, or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be an event of default:

(i) The nonpayment by Lessee or USLI of any sum required herein to be paid within ten days after the date any such payment is due.

(ii) The breach by Lessee or USLI of any other term, covenant, or condition of this Agreement, which is not cured within ten days after written notice.

(iii) Any act of insolvency by Lessee or USLI, or the filing by Lessee or USLI of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws, for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee or USLI that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee or USLI, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(v) Any action by Lessee to discontinue rail service on all or a portion of its tracks or abandon any of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state, if such actions, in the opinion of USLI, are likely to decrease utilization below 93%.

B. Upon the occurrence of any event of default, Lessee or USLI may, at its respective option, terminate this Agreement (which termination shall not release either party from any obligation to pay any and all rent or other sums that may then be due or accrue to such date, or from the obligation to perform any duty or discharge any other liability occurring prior thereto) and may proceed by any lawful means to enforce performance of such obligations or to recover damages for a breach thereof.

Upon the event of default by Lessee, USLI may by notice in writing to Lessee, terminate Lessee's right of possession and use of the Cars whereupon all right and interest of Lessee in the Cars shall terminate; and USLI may enter upon any of Lessee's premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee, if Lessee fails to deliver the Cars in accordance with paragraph 9 below.

The above remedies are cumulative and in addition to any and all remedies either party may have at law or in equity.

9. Termination

Upon the termination of this Agreement as to any Cars, Lessee will surrender possession of such Cars to USLI by delivering the same to USLI. A car shall be no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Car and the placing thereon of such markings as may be designated by USLI, performed either, at the option of USLI, (1) by Lessee upon return of such Cars to Lessee's railroad line or (2) by another railroad line which has physical possession of the Car at the time of or subsequent to termination of the lease term as to such Car. If such Cars are not on the railroad line of Lessee upon termination, any cost of assembling, delivering, storing and transporting such Cars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by USLI. If such Cars are on the railroad line of Lessee upon such expiration, or termination, or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense within five working

days remove Lessee's railroad markings from the Cars and place thereon such markings as may be designated by USLI. After the removal and replacement of markings, Lessee shall use its best efforts to load such Cars with freight and deliver them to a connecting carrier for shipment. Lessee shall provide up to sixty (60) days free storage on its railroad tracks for USLI or the subsequent lessee of any terminated Car. If any Car is terminated pursuant to subsections 6D or 6E or section 8 prior to the end of its Term, Lessee shall be liable to USLI for all costs and expenses incurred by USLI to repaint the Cars and place thereon the markings and name or other insignia of USLI's subsequent lessee.

10. Indemnities

USLI will defend, indemnify and hold Lessee harmless from and against (1) any and all loss or damage of or to the Cars, usual wear and tear excepted, unless occurring while Lessee has physical possession of Cars or caused by Lessee and (2) any claim, cause of action, damage, liability, cost or expense which may be asserted against Lessee with respect to the Cars (other than loss or physical damage to the Cars as provided in (1) above) unless occurring through the fault of Lessee, including without limitation the construction, purchase and delivery of the Cars to Lessee's railroad line, ownership, leasing or return of the Cars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by USLI or Lessee).

11. Representations, Warranties and Covenants

Lessee and USLI respectively, represent warrant and covenant that:

(i) Lessee and USLI are corporations duly organized, validly existing and in good standing under the laws of the respective states where they are incorporated and have the corporate power, authority and are duly qualified and authorized to do business wherever necessary, to carry out their present business and operations and to own or hold under lease their properties and to perform their obligations under this Agreement.

(ii) The entering into and performance of this Agreement will not violate any judgment, order, law or regulations applicable to Lessee or USLI, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or USLI or on the Cars pursuant to any instrument to which Lessee or USLI are a party or by which they or their assets may be bound.

(iii) There is no action or proceeding pending or threatened against Lessee or USLI before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee or USLI.

(iv) There is no fact or occurrence which Lessee has not disclosed to USLI in writing, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the ability of the Lessee to perform its obligations under this Agreement.

12. Inspection

USLI shall at any time during normal business hours have the right to enter the premises where the Cars may be located for the purpose of inspecting and examining the Cars to insure Lessee's compliance with its obligations hereunder. Lessee shall promptly notify USLI of any accident connected with the malfunctioning or operations of the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify USLI in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Car. Lessee shall furnish to USLI upon request, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements required to be submitted to the ICC.

13. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of USLI assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by USLI in order to confirm the financing party's interest in and to the Cars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7 and in furtherance of this Agreement, provided that such documents in no way alter the obligation of USLI or Lessee hereunder.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Cars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Cars except as a lessee only.

D. No failure or delay by Lessee or USLI shall constitute a waiver or otherwise affect or impair any right, power or remedy available to Lessee or USLI, nor shall any waiver or indulgence by Lessee or USLI, or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Agreement shall be governed by and construed according to the laws of the State of California, not including however, rules relating to choice of conflicts of laws.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth below:

U. S. Leasing International, Inc.
633 Battery Street
San Francisco, CA 94111
ATTN: President

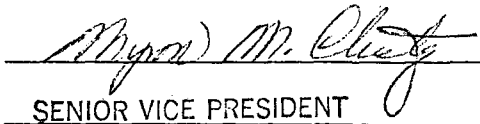
Point Comfort and Northern
Railway Co.
Suite 410
One Allegheny Square
Pittsburgh, PA 15212
ATTN: President

G. This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes any previous written or oral agreements in connection therewith.

In witness whereof, the parties hereto have executed this Agreement as of the day and year first above written.

U. S. Leasing International Inc.

By



Title

SENIOR VICE PRESIDENT

Date

8/14/79

Lessee: Point Comfort and
Northern Railway

By



Title

PRESIDENT

Date

1979 August 08

Rider "A"

USLI and Lessee agree that as first users of the Cars, Lessee shall be entitled as between USLI and Lessee to claim the investment tax credit for Federal Income Tax purposes. USLI represents and warrants that the Cars are "New section 38 property", within the meaning of Internal Revenue Code; that USLI has, or will, take all steps as requested by Lessee including the making of any election which may be required by the Internal Revenue Code or regulation thereunder that may be required to evidence assignment of the Investment Tax Credit to Lessee; and that USLI has not taken, and will not take, any actions which will make the Cars ineligible for the Investment Tax Credit, other than the exercise of any right or remedy which USLI may take under this agreement.

U. S. Leasing International Inc.

By

Myron M. Chaff

Title

SENIOR VICE PRESIDENT

Date

8/14/79

Lessee: Point Comfort and
Northern Railway
Co.

By

William D. Murray

Title

PRESIDENT

Date

1979 August 08

EQUIPMENT SCHEDULE No. 1

United States Leasing International, Inc. hereby leases the following cars to Point Comfort and Northern Railway Co. pursuant to that certain Lease Agreement dated as of 8/14/79.

A.A.R. Mech. Design	Description	Numbers	Length	Dimensions		Door Width	No. of Cars
				Inside Width	Height		
LO	4750 ft ³ Covered Hopper Cars 100 Ton-Trucks	PCN-1001 thru PCN-1150				N/A	150

U. S. LEASING INTERNATIONAL, INC.

BY: Michael M. Christy

TITLE: SENIOR VICE PRESIDENT

DATE: 8/14/79

LESSEE: POINT COMFORT AND NORTHERN
RAILWAY CO.

BY: William Murray

TITLE: PRESIDENT

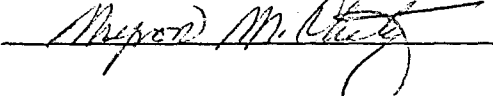
DATE: 1979 August 08

ADDENDUM TO LEASE AGREEMENTS AND LETTER AGREEMENT EACH DATED
AUGUST 14, 1979 AMONG UNITED STATES LEASING INTERNATIONAL, INC.,
AS LESSOR; AND POINT COMFORT AND NORTHERN RAILWAY COMPANY, AS
LESSEE; ROCKDALE, SANDOW AND SOUTHERN RAILROAD COMPANY, AS LESSEE.

In connection with the various provisions of the above captioned agreements, the Lessee under each agreement agrees to take all action as reasonably requested by the Lessor and at Lessor's sole cost and expense (a) to collect, or to permit Lessor to collect, and remit promptly to Lessor all sums due by reason of the operation and use of, or the loss of damage to, the Cars, including without limitation, sums due from any railroad or insurance company for the loss or damage to a Car; and (b) to enforce, or to permit Lessor to enforce, any right or interest Lessor may have with respect to the Cars. Lessor agrees to indemnify and hold Lessees harmless from any loss, damage or expense incurred in or resulting from any such action taken by Lessees pursuant to Lessor's request.

UNITED STATES LEASING
INTERNATIONAL, INC.

POINT COMFORT AND NORTHERN
RAILWAY COMPANY

BY: 

BY: 

TITLE: Senior Vice President

TITLE: President

DATE: August 14, 1979

DATE: 1979 August 22

• ROCKDALE, SANDOW AND SOUTHERN
RAILROAD COMPANY

BY: 

TITLE: President

DATE: 1979 August 22

STATE OF CALIFORNIA

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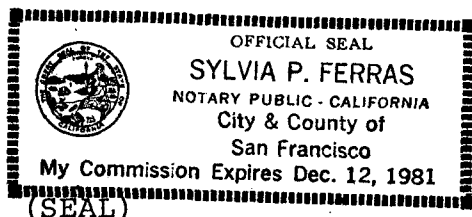
SS

CITY AND COUNTRY OF SAN FRANCISCO

)

On this 1st day of February, 1980 before me personally appeared Gerald A. Davis, Secretary of United States Rail Services, Inc., to me personally known who being by me duly sworn, says that he has compared the foregoing Lease Agreement between U.S. Leasing International, Inc. and Point Comfort and Northern Railway Co., Equipment Schedule No. 1, Addendum to Lease Agreement and Letter Agreement pertaining to Lease Agreement all dated August 14, 1979. Assignment of October 15, 1979 and Equipment Schedule No. 1 dated October 19, 1979 and Consent of U.S. Leasing International, Inc. and Rockdale, Sandow and Southern Railroad Company.

with the original and that the foregoing copy is a true and complete copy of the original document, including date, signatures and acknowledgements.



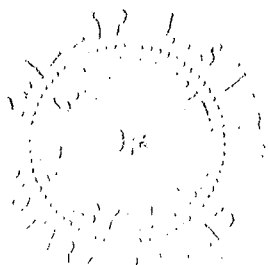
Sylvia P. Ferras
Notary Public

My commission expires

STATE OF Pennsylvania)
COUNTY OF Allegheny) SS

On this 30th day of November, 1979, before me personally appeared William Murray, to me personally known, who being by me duly sworn, says that he is the President of the Point Comfort and Northern Railway Company, that foregoing Lease Agreement dated August 14, 1979, Equipment Schedule No. 1 dated August 14, 1979, Equipment Schedule No. 2 dated October 19, 1979, Addendum dated August 22, 1979 and Letter Agreement dated August 14, 1979 were signed on behalf of the Point Comfort and Northern Railway Company, by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instruments was the free act and deed of the Point Comfort and Northern Railway Company.

Shelly L. Smith
Notary Public



(SEAL)

My commission expires:

PHILIP L. SMITH, NOTARY PUBLIC
PITTSBURGH, ALLEGHENY COUNTY
MY COMMISSION EXPIRES NOV. 22, 1980
Member, Pennsylvania Association of Notaries